Government microeconomic intervention (A Level)

A-Level Economics · Vocabulary in context

Word	Example
market failure /ˈmɑːkɪt ˈfeɪlɪə/	Pollution with no price is a **market failure**.
indirect tax /ɪndaɪˈrekt tæks/	VAT is an **indirect tax**. VAT
ad valorem tax /æd ˈvælɒrəm tæks/	An **ad valorem tax** is a percentage of the price, such as a 10% sales tax. 10%
subsidy /ˈsʌbsɪdi/	A **subsidy** is money from the government that lowers a firm's costs.
price control /praɪs kənˈtrəʊl/	A **price control** is a rule from the government about how high or low a price can be.
regulation /ˌregjʊˈleɪʃn/	New **regulation** says that factories must clean their waste water.
production quota /prəˈdʌkʃn ˈkwəʊtə/	A **production quota** limits how much each farmer may produce.
prohibition /prəhɪˈbɪʃn/	**Prohibition** means a good is banned completely.
licence /ˈlaɪsəns/	You need a **licence** to sell alcohol in a shop.
Tradable permits /ˈtreɪdəbl ˈpɜːmɪts/	Firms can buy and sell **tradable permits** that allow them to pollute a set amount.
property rights /ˈprɒpəti raɪts/	Clear **property rights** show who owns the land.
State provision /steɪt prəˈvɪʒn/	Free schools are an example of **state provision**.

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nudge /nʌdʒ/	A **nudge** is a small push, like putting fruit at the front of the canteen.
Nationalisation /ˌnæʃənəlaɪˈzeɪʃn/	**Nationalisation** moves a private firm into government ownership.
privatisation /ˌpraɪvətaɪˈzeɪʃn/	**Privatisation** sells a state-owned firm to private owners.
Competition policy /ˌkɒmpəˈtɪʃn ˈpɒlɪsi/	**Competition policy** stops big firms from working together to keep prices high.
monopoly power /məˈnɒpəli ˈpaʊə/	The government watches firms with **monopoly power** closely.
government failure /ˈgʌvənmənt ˈfeɪlɪə/	**Government failure** happens when a policy makes things worse.
Deregulation /diːˌregjʊˈleɪʃn/	**Deregulation** removes rules so that new firms can enter a market.
equity /ˈekwɪti/	Who pays the new tax is a question of **equity**.
equality /iːˈkwɒlɪti/	**Equality** means everyone has the same income or the same chances.
inequality /ɪniːˈkwɒlɪti/	There is great **inequality** when a few people are rich and many are poor.
income /ˈɪŋkʌm/	Wages are **income** received over time.
wealth /welθ/	A household's **wealth** is its assets minus debts.
Lorenz curve /ˈlɒrənts kɜːv/	A **Lorenz curve** shows how equally income is shared.

Word	Example
Gini coefficient /ˈdʒiːni ˌkəʊɪˈfɪʃənt/	A higher **Gini coefficient** means more inequality.
Absolute poverty /ˈæbsəluːt ˈpɒvəti/	People in **absolute poverty** cannot afford food, clean water or shelter.
Relative poverty /ˈrelətɪv ˈpɒvəti/	People in **relative poverty** have much less than most people in their country.
poverty trap /ˈpɒvəti træp/	In a **poverty trap**, poor people cannot save, so they stay poor.
progressive tax /prəˈgresɪv tæks/	Income tax is a **progressive tax**: richer people pay a bigger share.
benefits /ˈbenɪfɪts/	The family gets **benefits** from the government because the father lost his job.
transfer payments /ˈtrænsfɜː ˈpeɪmənts/	Pensions are **transfer payments**.
redistribution /ˌriːˌdɪstrɪˈbjuːʃn/	Taxes on the rich that pay for help for the poor are a form of **redistribution**.
negative income tax /ˈnegətɪv ˈɪŋkʌm tæks/	With a **negative income tax**, people who earn very little are paid money instead of paying tax.
Universal benefits /ˌjuːnɪˈvɜːsl ˈbenɪfɪts/	**Universal benefits** are paid to everyone, whatever their income.
Means-tested benefits /miːnz ˈtestɪd ˈbenɪfɪts/	**Means-tested benefits** are paid only to people with low incomes.
universal basic income /ˌjuːnɪˈvɜːsl ˈbeɪsɪk ˈɪŋkʌm/	A **universal basic income** gives every adult the same amount of money each month.

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labour market /ˈleɪbə ˈmɑːkɪt/	In the **labour market**, workers sell their time and firms buy it.
wage /weɪdʒ/	Her **wage** is the money she gets for each hour of work.
demand for labour /dɪˈmænd fɔː ˈleɪbə/	The **demand for labour** is how many workers firms want to hire.
derived demand /dɪˈraɪvd dɪˈmænd/	The demand for hotel cleaners is a **derived demand** from the demand for hotel rooms.
marginal revenue product /ˈmɑːdʒɪnl ˈrevənjuː ˈprɒdʌkt/	**Marginal revenue product** is the extra income from hiring one more worker.
supply of labour /səˈplaɪ ɒv ˈleɪbə/	The **supply of labour** is how many people want to work at each wage.
monopsony /məˈnɒpsəni/	A **monopsony** is a market with only one buyer.
national minimum wage /ˈnæʃənl ˈmɪnɪməm weɪdʒ/	The **national minimum wage** is the lowest hourly pay allowed by law.
trade union /treɪd ˈjuːnɪən/	A **trade union** speaks for workers when they ask for higher pay.
wage differential /weɪdʒ ˌdɪfəˈrenʃl/	The **wage differential** between doctors and cleaners is large.
discrimination /dɪˌskrɪmɪˈneɪʃn/	Paying women less for the same work is **discrimination**.
transfer earnings /ˈtrænsfɜː ˈɜːnɪŋz/	**Transfer earnings** are the least a worker needs to stay in a job.

Word	Example
economic rent /ˌiːkəˈnɒmɪk rent/	**Economic rent** is what a worker earns above the least they would accept.

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